

**INFORMATION REPORT**

CD NO.

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SUBJECT	Certain Aspects of the Organization of Soviet Economic Operations in Austria	NO. OF PAGES	13
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		SUPPLEMENT TO REPORT NO.	25X1X

1. Chief Directorate of Soviet Property Abroad [REDACTED]. Property in the hands of the Soviet Economic Missions in Austria is under the administrative direction of the [REDACTED] office of GUSIMZ, the Chief Directorate of Soviet Property Abroad. Formerly an independent agency with ministerial status, GUSIMZ has been, since about May 1953, a part of the Soviet Ministry of Foreign Trade. The director of GUSIMZ, Vasili Sergeyev, is a Deputy Minister of Foreign Trade; his staff deputy for Austria is Lebedev (fmu). The routine direction of Soviet properties in Austria, however, is done by the Second Directorate of GUSIMZ, headed by Kurmazenko (fmu). Other main offices of GUSIMZ are: the Commercial Section, the Exchange and Finance Section, and directorates for the geographical areas of Germany, Hungary, Rumania, Bulgaria, Finland, and the Far East. There is a special directorate for Wiss. AG, in East Germany.

II

2. Administration of Soviet Property in Austria. When the Soviets [REDACTED] World War II, an Administration for Soviet Property in Austria (USIA) was organized. The abbreviations USIA have since been used widely to designate all Soviet economic operations in Austria: in fact, USIA is not the overall administration in Austria but merely the main Soviet economic operation, based on the industrial holdings. Other important Soviet economic agencies, which are not subordinate to USIA although administered by GUSIMZ, are: the Soviet Oil Administration (SMV), the Soviet-controlled Danube Steamship Company (DDSG) with its subordinate forwarding agency Juschneschtrans, the Soviet Military Bank

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- ✓ and the Soviet Trade Delegation. Other agencies apparently completely separated from GUSIMZ include the Soviet Steamship Company (SDGP), Erzherzog Karl Platz 4, Vienna II, and Sovexportfilm, Brahmsplatz 8, Vienna IV.
3. Until 1953, these Soviet economic operations were not coordinated in Austria. Each agency dealt directly with its superior office in the Soviet government and financial differences—for example, between USIA and the SMV—were settled on the Moscow level. During the summer of 1953, however, an office to coordinate the above economic operations was established on the third floor of the Trattnerhof. The director of this office is the plenipotentiary in Austria of the Soviet Minister for Foreign Trade. His name is S. A. Zholtin and he arrived in Vienna during October 1953. He has a staff of between 12 and 15 Soviet citizens; there are no Austrians in the office.
  4. Since Zholtin is concerned with economic operations, he is presumably subordinate in theory to the top Soviet economic policy body for Austria, the Economics Division in the Hotel Imperial, which is made up of representatives from the Soviet ministries of Defense and Foreign Affairs. In practice, the only routine contact between the operational offices subordinate to Zholtin and the Imperial appears to be in connection with shipments under the authority of the Soviet military command, which must be released by the military authorities before they can be handled by the Soviet-controlled commercial organizations.
  5. A chart of the main Soviet economic operations in Austria is attached as Annex I to this report.

## III

6. Central Administration of USIA. The largest of the Soviet economic operations in Austria is USIA, the industrial productive and merchandising complex based on approximately 300 Soviet-owned and Austrian firms. The Central Administration of USIA, [REDACTED] of 1, Vienna I, is headed by General Director Petr Alexeievich Grishin, who was head of the Soviet Trade Delegation in Vienna from [REDACTED] 1949. He has three deputies: [REDACTED] USIA Deputy Director for Production; Anatoliy Kirillovich Rizov, Deputy Director for Commercial Matters; and Rozhkov ([REDACTED]), Deputy Director for Personnel. The secret "First Section" of USIA, which has certain security and communications functions, is one of the highest offices in the USIA Central Administration and is believed to report directly to the General Director.
7. The USIA Central Administration has eight staff offices known as sections. They are: Finance, Commerce, Plans, Bookkeeping, Legal, Labor and Wages, Housekeeping ([REDACTED]) and Production. There have been no recent changes of importance in the above staff organization. The chiefs of various staff sections presumably report directly to the General Director as well as to the deputy for their specific function.
8. Below the Central Administration staff are the actual operating divisions of USIA, which are organized according to the different industrial branches and, excepting A/O Ort which directs the USIA retail stores, are concerned with the production and commercial management of the plants

✓ within their jurisdiction. On the same working level are Wien Film, which distributes Soviet Orbit films, and the USIA "trade ministry", the Central Commercial Bureau (see below). The following are the main operating divisions of USIA (A/O is probably the Russian abbreviation for administrative division):

<u>Division</u>	<u>Address</u>	<u>Branch</u>
A/O Podjomnik	Trattnerhof 1 Erster Stock Vienna I	Heavy machinery
A/O Marten	Trattnerhof 1, Vienna I	Metallurgical equipment and mining products
A/O Kabel	Trattnerhof 1, Vienna I	Electrical equipment industries
A/O Textil	Trattnerhof 1, Vienna I	Light industries
A/O Les	Lothringerstrasse 4, Vienna IV	Forestry and agriculture
A/O Zement	Kaerntner Ring 6, Vienna I	Construction
A/O Kraska	Trattnerhof 1, Fuenfter Stock, Vienna I	Chemical industries including certain food industries
A/O Ort	Argentinierstrasse Vienna IV	Retail stores

9. A chart of the overall organization of USIA from the General Administration down to the operating divisions is attached as Annex II to this report.

10. Except for the establishment of Zholnin's office, there have been no important changes which affect the USIA organization during the past two years. From October 1953 until about 15 January 1954, however, a special commission of about 20 persons, led by Rukhlenko (fmu), from the former Soviet Ministry of State Control made a complete survey of the USIA complex. Apparently as a result of this inspection, the former food division of USIA (A/O Vkus or Ors) was merged with the chemical division A/O Kraska. Persons who were replaced, presumably as a result of the inspection, include: Filimonov (fmu), former Deputy Director of USIA for General Questions and Light Industry; Vasilev (fmu), former Deputy Director for Commercial Matters; V. Krivoshein, former Director General of USIA.
11. Although there is, in theory, a clear breakdown between staff and operating divisions of USIA, in fact a considerable amount of overlapping and sharing of personnel takes place. It is possible for a Soviet official to hold a staff job and a position in one of the operating divisions at the same time. An example of sharing of personnel is that the assistant director for personnel in A/O Zement also handles the personnel problems of the Central Commercial Bureau. A further example concerning personnel matters is that the CPSU and Komsomol organizations of the Central Commercial Bureau and A/O Ort are merged.
12. Typical Operating Division of USIA. A typical operating division within USIA would be headed by a general director. His principal deputies would be: an assistant director for personnel; a chief engineer, who is the deputy for production; a deputy for commercial matters; and a chief bookkeeper. There are normally six staff sections within a USIA operating division, all of which report directly to the general director, as well as to certain of the deputies, of which the deputy for commercial matters is usually the most important.<sup>2</sup> The six staff sections are: production, plans, legal matters, commercial matters, supply (AKHO), and finance. A chart of a typical operating division of USIA is attached as Annex III to this report.

## IV

13. The Central Commercial Bureau (KZB). Compared with an average operating division of USIA, the Central Commercial Bureau (Kaufmaennisches Zentralbuero - KZB) at Stalinplatz 10, Vienna I, is a relatively small office. The main function of the KZB is to supervise transactions between USIA and purchasers in the Soviet Orbit. In this work, it is subordinate to the Commercial Section of the Central Administration, the director of which, Gennadiy Fedorovich Lesnov, is the central coordinator for all commercial activities of USIA. The acting director of the KZB is S. P. Avdeyev.<sup>3</sup>
14. The main item of USIA trade with the Soviet Orbit handled by the KZB is trade with the USSR. Trade with the USSR is based on compensation contracts concluded between the individual USIA supplier and the

[REDACTED]

appropriate Soviet trading agency, with prices figured in dollars. Between 60 and 70 percent of all KZB business is USSR trade, which is the responsibility of a separate section of the KZB.

15. Trade between USIA and the Soviet Satellites is based on overall goods exchange agreements concluded between the KZB and the foreign trade ministries of the Satellite states. It is the responsibility of the deputy director of the KZB, who is assisted by an adviser for each of the Satellite countries.<sup>4</sup> Current trade agreements with the various Satellites call for the following levels of trade, including both imports and exports:<sup>5</sup>

Hungary - \$8,000,000

East Germany - Not yet signed

Czechoslovakia - \$1,000,000<sup>6</sup>

Poland - \$1,500,000

Rumania - \$3,000,000

Bulgaria - \$3,000,000

16. Although USIA firms are continually experiencing financial difficulties, the KZB always shows a profit.<sup>7</sup> The total profit of the KZB for 1952 was 1000000,000 Austrian schillings.

17. Directly under the KZB director, is a special section with two Soviet officials who control four trading firms of the USIA complex. A.V. Annekov is director of the following trading firms; Eisen und Stahl A.G., Wiener Brückenbau und Eisenkonstruktions A.G. and Henhapel-Heine Eisenwarenhandel A.G. A certain D. S. Izbekov is the director of Raab-Karcher GmbH. These four firms serve as trading agents of the KZB and do not operate on a commercial profit-and-loss basis. Their function is to supply the entire USIA complex with commodities such as coal, oil, and crude ores. As a result, these firms appear as participants in transactions with non-Austrian firms, other USIA firms, other Soviet-controlled business such as the SMV and non-USIA Austrian firms. In addition to centralizing procurement of certain basic items within USIA, this Trading Firm Section appears to provide an additional means for the Soviets to extract profit from the USIA complex.

18. There are two other offices in the KZB the functions of which are not known very clearly even to KZB employees. One is the Konjunktur Buero, headed by Kuzmin (fau), who is believed not to be under the authority of the KZB's acting director. Kusmin reports directly to the Chief of the USIA Commercial Section, G. F. Lesnov, and to Deputy Director for Commercial Matters Krutke. The Konjunktur Buero is allegedly concerned with pricing levels and methods in Western European countries. The other, even less well known, of the dubious KZB offices allegedly has the mission of developing trade between the USSR and Western European firms.

19. There is also a Transport Section in the KZB, concerned primarily with

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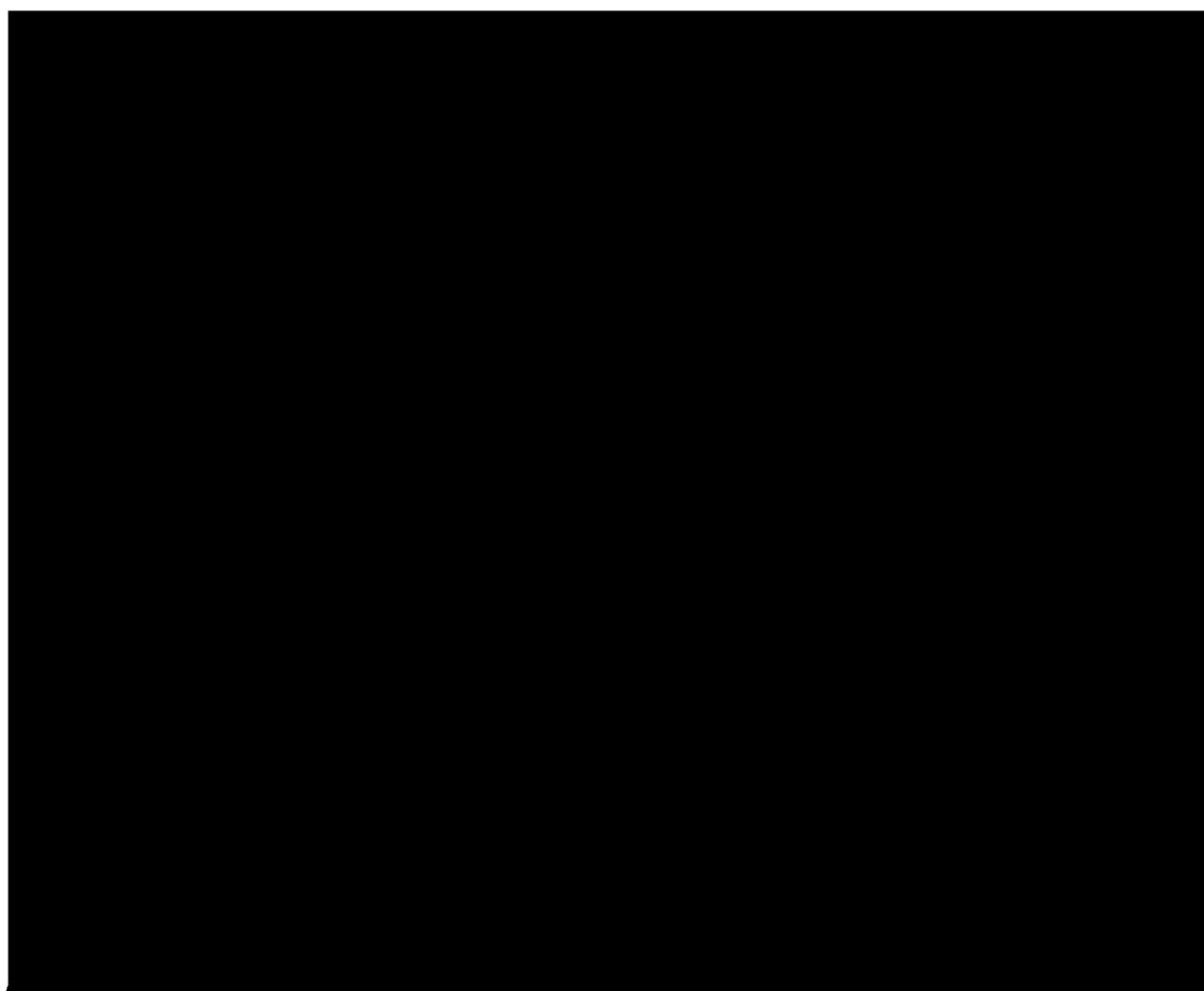
expediting the release of goods imported into Austria as military freight. Its duties consist of liaison with the military authorities in the Hotel Imperial with Juschienschtrans and with other transport firms. There is a Housekeeping [AKHO] Section and a Trophy Property Section which is left over from the post-war "booty" operations and is, for all practical purposes, defunct. The Economic Analysis section of the KZB consists of a female senior analyst named T. S. Pogodina and her assistant Kovalenko (fnu).

20. Attached as Annex IV to this report is a chart of the KZB.

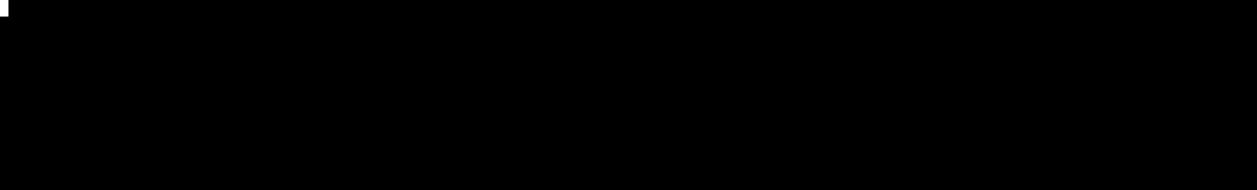
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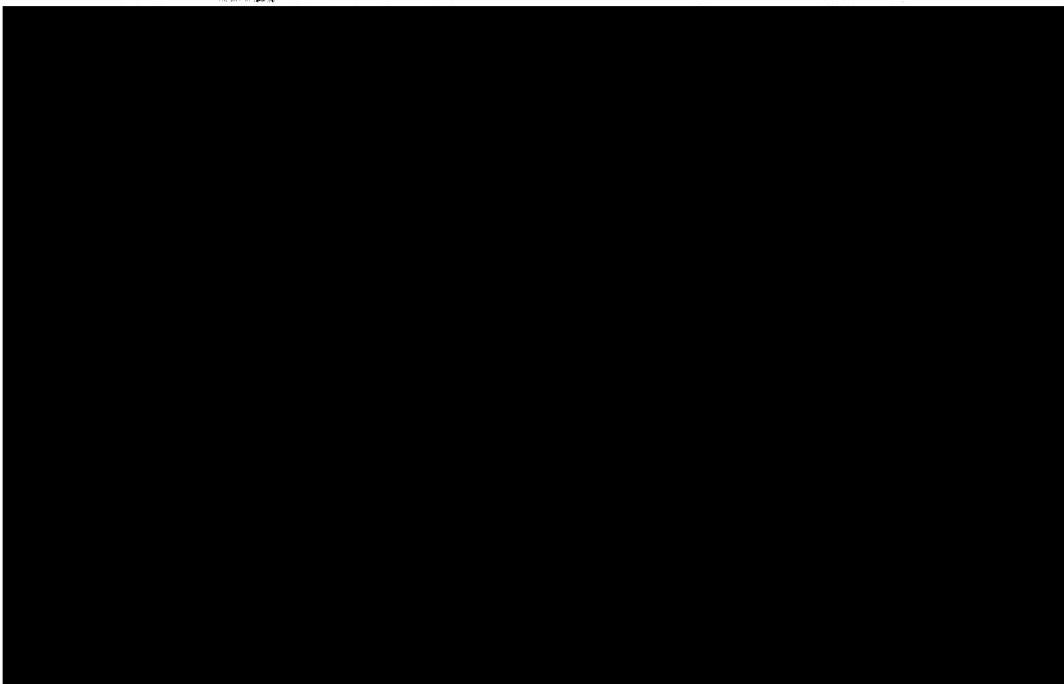


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[REDACTED] Comment. Throughout the Ministry of Foreign Trade and GUSIMZ there appears to exist a system of dual authority in which subordinate office directors are subject to two bosses. For example, the general [REDACTED]

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[REDACTED] Comment. Presumably the duties of the commercial deputy in a USIA industrial operating division would include supervision of the sales office as well as the coordination of sales with production. The sales offices for the main USIA operating divisions are:

Marten	Metalcarbon Brucknerstrasse 2, Vienna IV
Podjemnik	Everkon, Prinz Eugenstrasse 68, Vienna IV
Kabel	Ein-und Verkaufsstelle der Elektrischen Industrie, Vienna IV
Kraska9	Ludwig Masel, Gusshausstrasse 6, Vienna IV

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Ein- und Verkaufsstelle der  
Chemischen Industrie,  
Brucknerstrasse 2,  
Vienna IV

Hydroxegen,  
Gusshausstrasse 24,  
Vienna IV

Textil

Letex,  
Hollandstrasse 16,  
Vienna II and  
Favoritenstrasse 42,  
Vienna IV

Les-

Ein- und Verkaufsstelle der  
Land und Forstwirtschaftlichen  
Betriebe, Vienna IV

25X1A [REDACTED] Comment. The role of the KZB might be described as that of a trade ministry. Its primary function is to supervise USIA's export trade with the Soviet Orbit and it should not be mistaken, as it frequently is, for the central commercial authority of the USIA complex. Presumably it exercises no authority over USIA's Austrian commercial activities, except possibly in its relation to the four special trading firms described above.

25X1A [REDACTED] Comment. An Austrian well-placed in the USIA complex reported that the responsibility for negotiating the compensation agreements with the Satellites was assigned to the KZB at about the beginning of 1953 [REDACTED]

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25X1A [REDACTED] Comment. Presumably the agreements are made on a yearly basis. If, then, the exchange with East Germany is assumed to be about \$1,000,000 and it is assumed that all USIA exports are compensated for by equivalent imports, an estimate of total annual USIA exports to the Soviet Orbit of about \$25,000,000 can be made. This figure, in fact, corresponds closely to Austrian estimates.

25X1X [REDACTED] Comment. This agreement was concluded on about 1 February 1954.

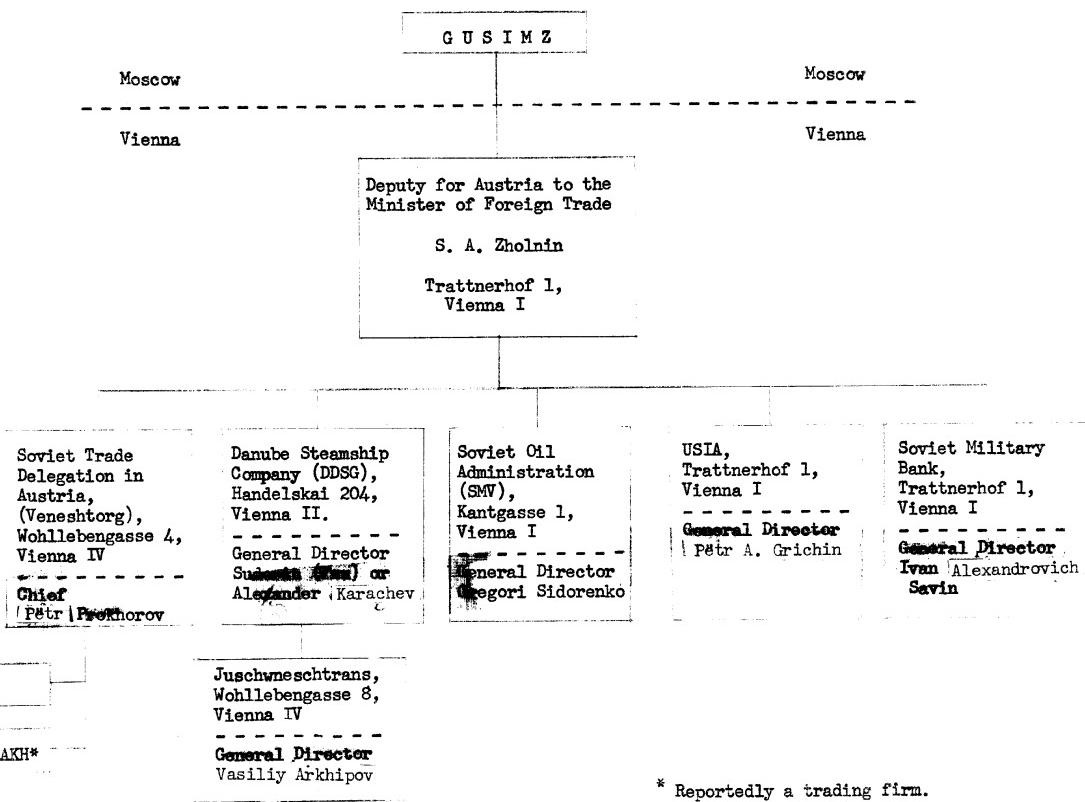
25X1A [REDACTED] Comment. Considering the nature of the KZB's services in the trade field, for which a percentage of the turnover is apparently extracted, the profitability of the institution is not surprising.

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THE MAIN SOVIET ECONOMIC OPERATIONS IN AUSTRIA

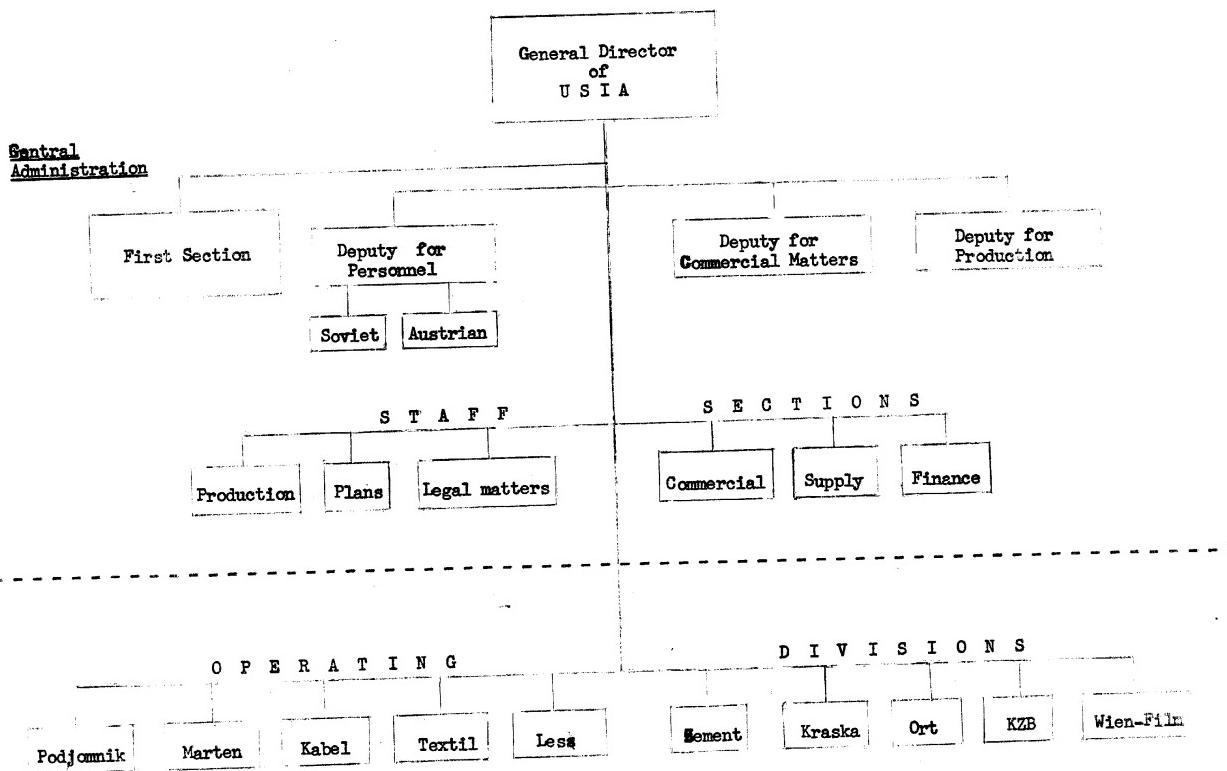


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THE ORGANIZATION OF USIA DOWN TO THE OPERATING DIVISIONS

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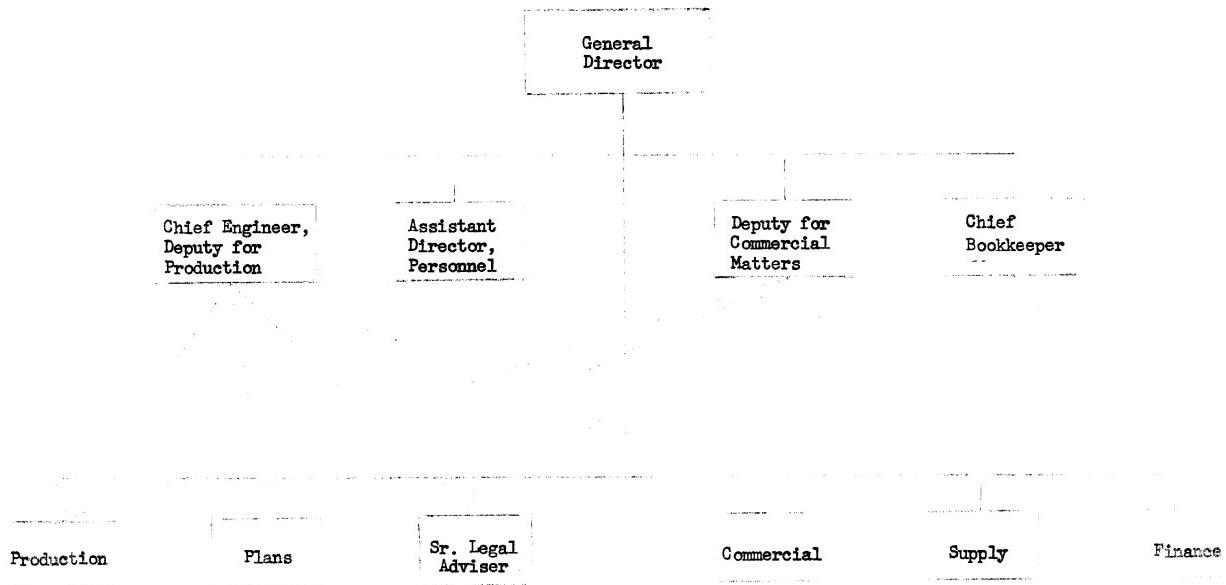


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ORGANIZATION OF AN OPERATING DIVISION OF USIA

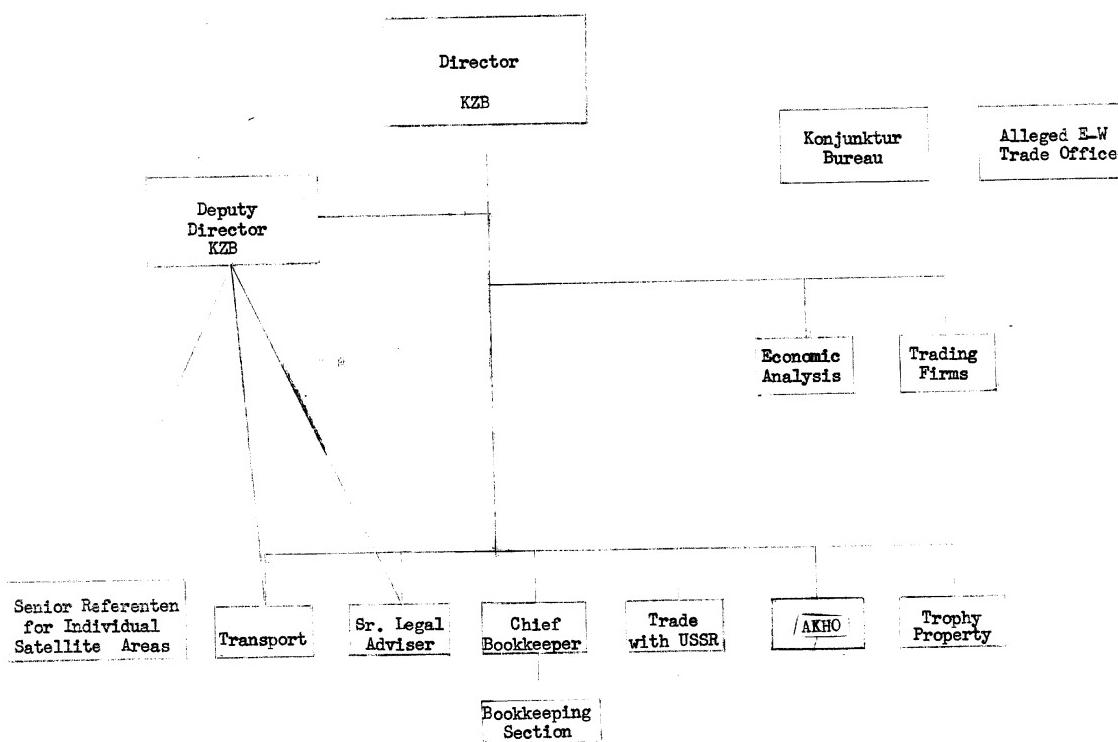


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ORGANIZATION OF THE CENTRAL COMMERCIAL BUREAU (KZB)

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